

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 INT-08 SCEM-02

SCI-06 OMB-01 TRSE-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AF-10 DRC-01 /187 W

----- 004538

R 011330Z NOV 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7651

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY JIDDA

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ENRG, IN, SA

SUBJ: CRUDE SUPPLY CUTBACKS: ENTER ESSO

REF: NEW DELHI 12420 (NOTAL)

1. ESSO INDIA GENERAL MANAGER ARTHUR NEFF INFORMED EMBOFFS THAT OCTOBER 31 PRESS REPORTS ANNOUNCING UPCOMING CRUDE OIL CUTBACKS BY ESSO WERE "ESSENTIALLY CORRECT". NEFF SAID THAT ON OCTOBER 30 HE NOTIFIED PETROLEUM MINISTRY JOINT SECRETARY A.P. VERMA THAT RECENTLY INITIATED "POLITICAL OIL CUTBACKS" BY SAUDI ARABIA (ESSO'S SOURCE OF SUPPLY FOR INDIA) HAVE COMBINED TO CREATE A "CONDITION OF FORCE MAJEURE" THAT APPEARS TO BE INESCAPABLE. HE TOLD VERMA THAT ESSO'S SAUDI ARABIAN SUPPLIER (ARABIAN AMERICAN OIL COMPANY) HAD ADVISED HIM THAT THE VOLUME OF CRUDE DESIGNATED FOR INDIA WOULD BE REDUCED, THAT SIGNIFICANT VESSEL LOADING DELAYS COULD BE ANTICIPATED, AND THAT CURRENT VESSEL CONFIRMA-

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TIONS CAN NO LONGER BE CONSIDERED VALID. HE STRESSED, HOWEVER,

THAT THE ACTUAL VOLUME OF CRUDE THAT WILL ULTIMATELY BE MADE AVAILABLE TO INDIA UNDER THE "CUTBACK PROGRAM" HAS NOT BEEN QUANTIFIED, BUT HE ASSURED THE GOI THAT (AT LEAST FOR THE MOMENT) CRUDE SUPPLIES ARE BEING RECEIVED AT FULLY-INSTALLED REFINERY LEVELS.

2. NEFF CALLED EMBOFFS ATTENTION TO AN OCTOBER 29 PETROLEUM INTELLIGENCE WEEKLY ARTICLE CLAIMING THAT SAUDI ARABIA HAS "SPELLED OUT" PROCEDURES TO ARAMCO FOR IMPLEMENTING A TOTAL EMBARGO ON CRUDE OIL SHIPMENTS TO THE US, WHILE EXEMPTING NINE COUNTRIES FROM A PREVIOUSLY-ANNOUNCED 10 PERCENT CUTBACK (FRANCE, SPAIN, JORDAN, LEBANON, MALAYSIA, PAKISTAN, TUNISIA, EGYPT AND THE UNITED KINGDOM). NEFF ASSERTS THAT INDIA'S EXCLUSION FROM THIS LIST IMPLIES THAT ARAMCO MUST INCLUDE ESSO INDIA IN ITS CUTBACKS, AND THAT THE ULTIMATE REDUCTION MAY WELL BE IN EXCESS OF 10 PERCENT. HE BASES THIS ON THE IMPACT THAT THE ABOVE-LISTED EXEMPTIONS WILL HAVE ON TOTAL CRUDE AVAILABILITY. THE EXEMPTED COUNTRIES ARE TO RECEIVE PRIORITY SUPPLY (AT THE DAILY AVERAGE OF THEIR LIFTINGS DURING JANUARY-SEPTEMBER 1973). THE VOLUME REMAINING TO ARAMCO IS THEN TO BE SPLIT "PRO RATA" AMONG ALL OTHER CUSTOMER COUNTRIES, THEREBY INCREASING CUTBACKS TO EACH TO SOMETHING ABOVE THE SO-CALLED 10 PERCENT LEVEL. IT IS THIS "UNKNOWN" THAT REPORTEDLY LED NEFF TO WITHHOLD FROM THE GOI VOLUME REDUCTION ESTIMATES AT THIS TIME.

3. ACCORDING TO NEFF, HE HAS NOT DISCUSSED THE CURRENT CRUDE OIL CUTBACK PROBLEM WITH CALTEX OR BURMAH-SHELL INDIA REPRESENTATIVES. HE SAID, HOWEVER, THAT HE HAD ANTICIPATED THE RECENT CALTEX ANNOUNCEMENT OF PENDING EASTERN HEMISPHERE, "AREAWIDE", REDUCTIONS (REFTEL,) AND HAD LEARNED THAT BURMAH-SHELL IS ALSO CONSIDERING SIMILAR ACTIONS SOON (PARA 2, REFTEL). (COMMENT: A RELIABLE PETROLEUM MINISTRY SOURCE INFORMED THE MINERALS ATTACHE NOVEMBER 30 THAT THE GOI EXPECTS BURMAH-SHELL TO "TABLE PRECISE CUTBACK VOLUME DATA" IMMEDIATELY FOLLOWING GENERAL MANAGER PATWARDHAN'S RETURN FROM LONDON (REFTEL) ON OR ABOUT NOVEMBER 3. WE WILL ASSESS IN DETAIL THE IMPACT THAT THE REPORTED CUTBACKS WILL HAVE ON INDIA IN THE COMING MONTHS, AND WILL REPORT ASAP. END COMMENT).

MOYNIHAN

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